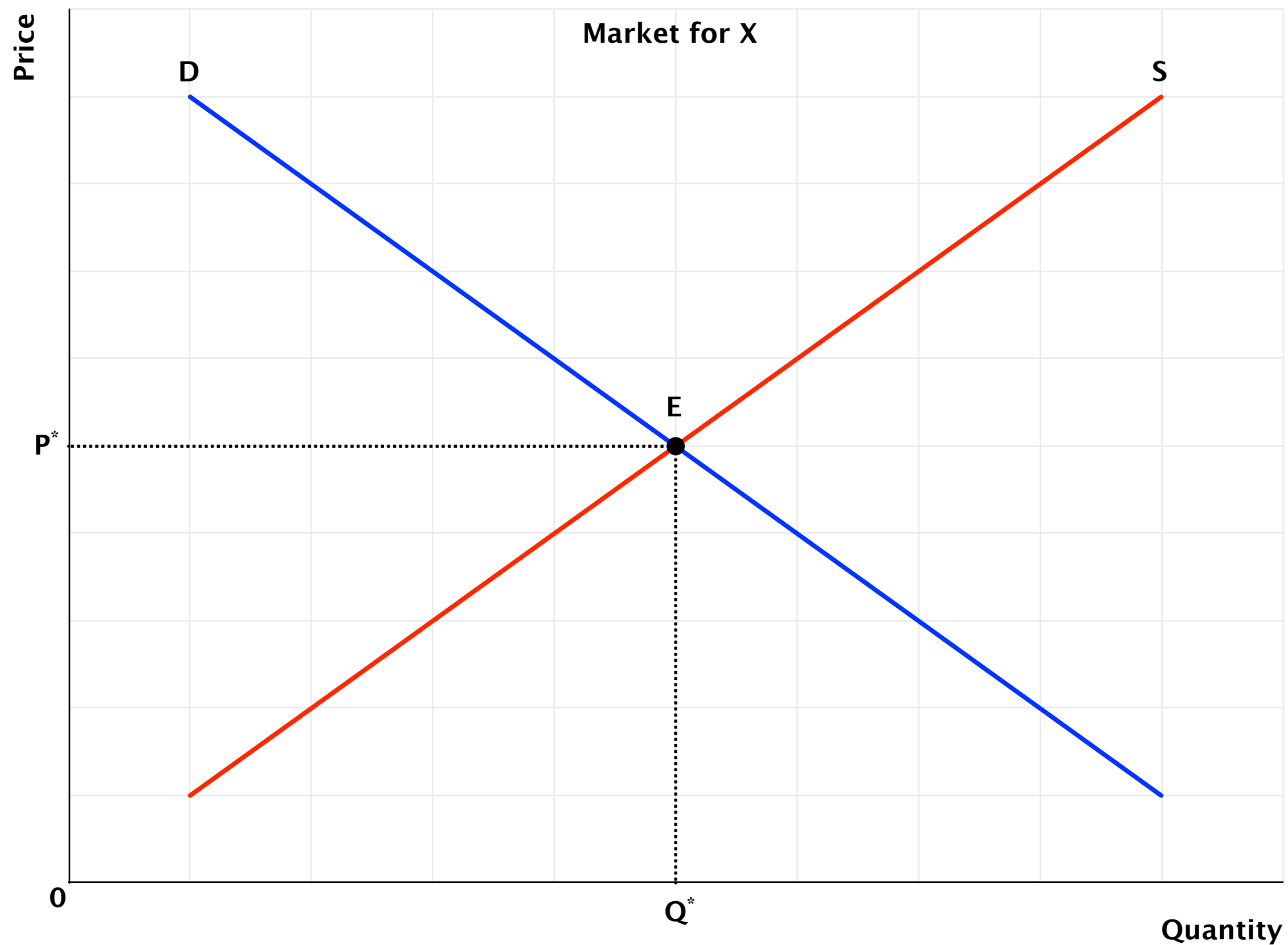


Subsidies

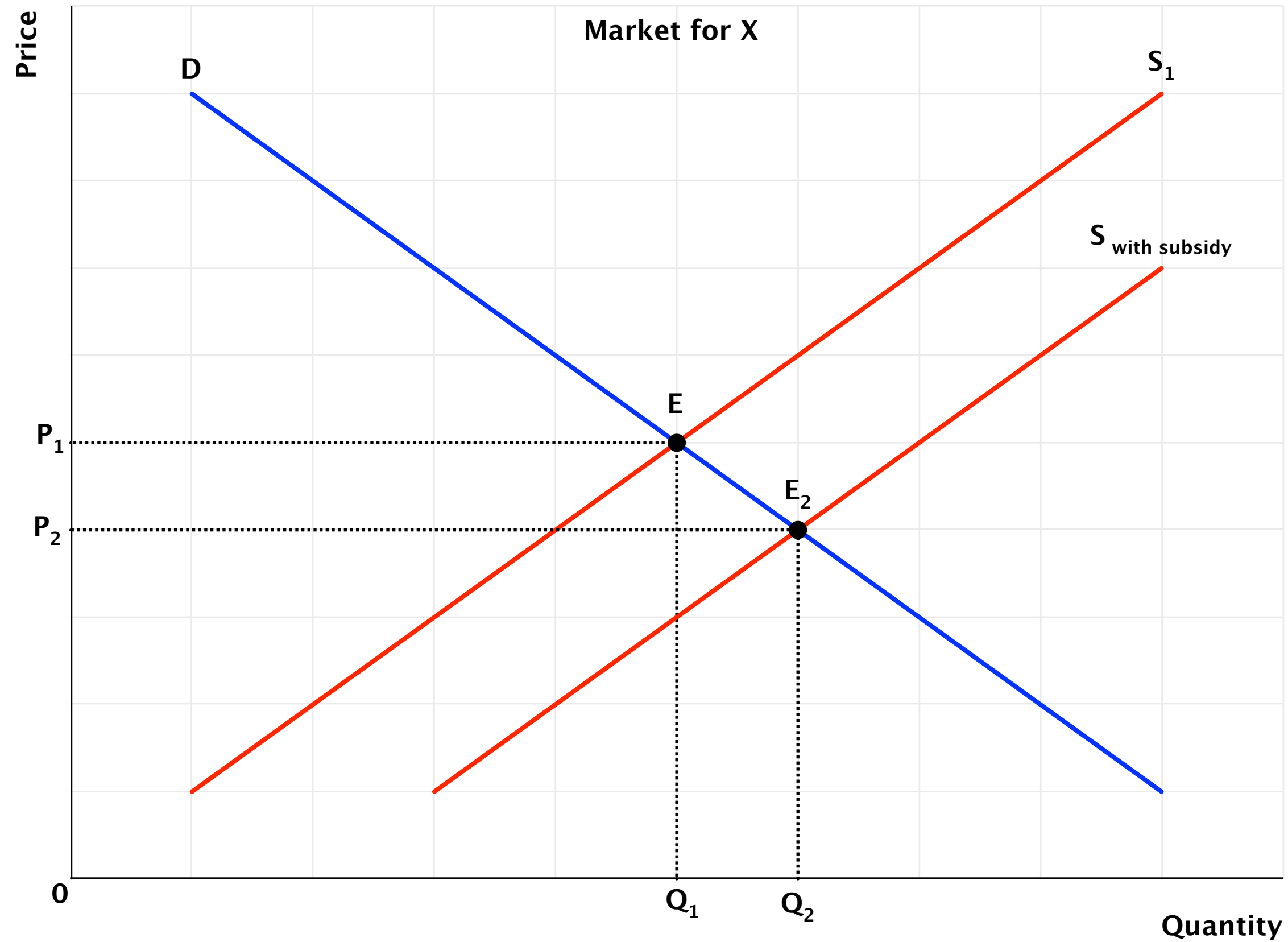
Lots of little boxes...

- **Subsidy**: amount of money paid by the government to a firm per unit of output.
- A **subsidy** lowers the cost of production. Therefore, it increases supply.
- Government spending on a **subsidy** creates an **opportunity cost**. That money could be spent on something else!

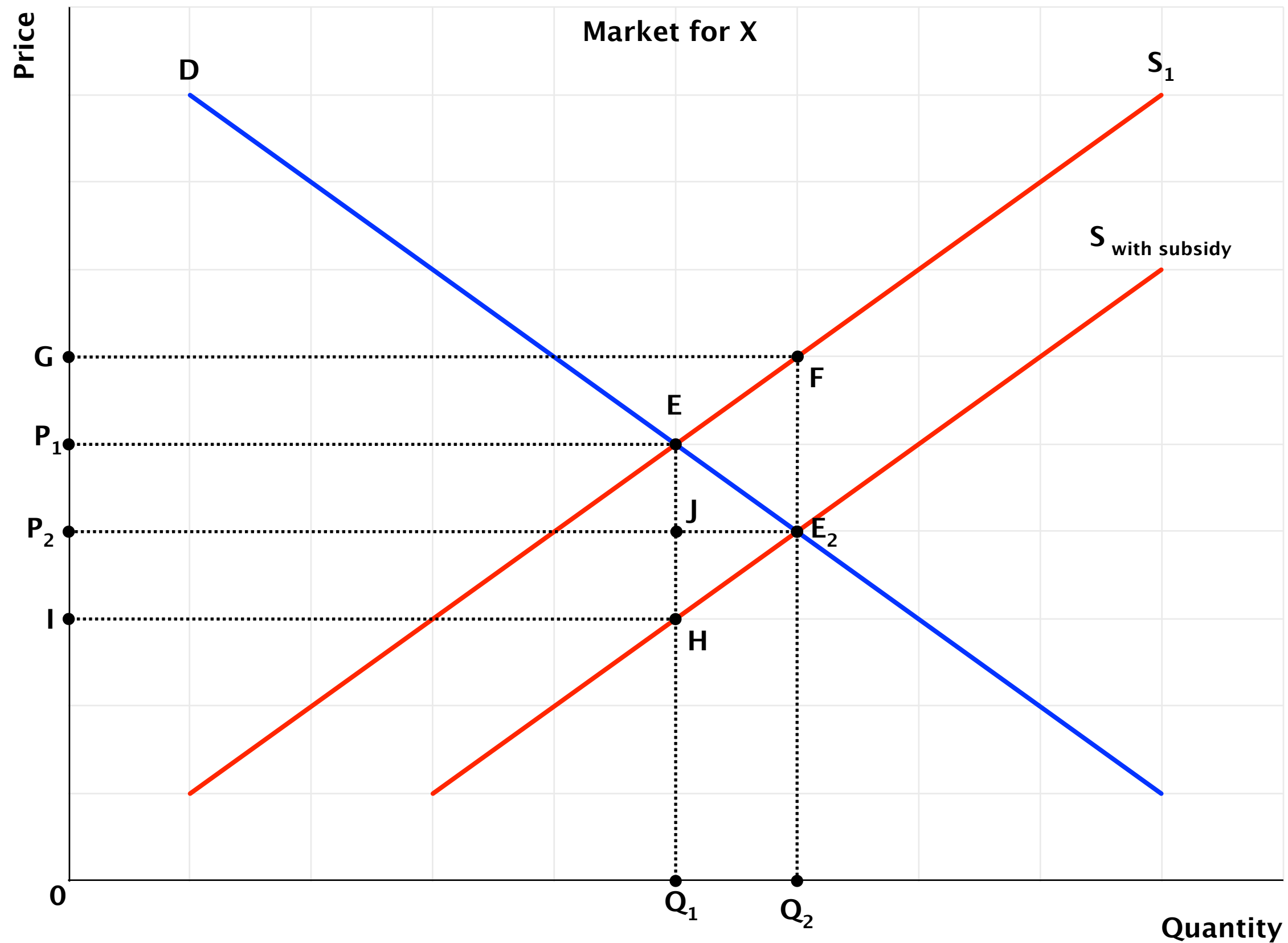
The market before the
subsidy.



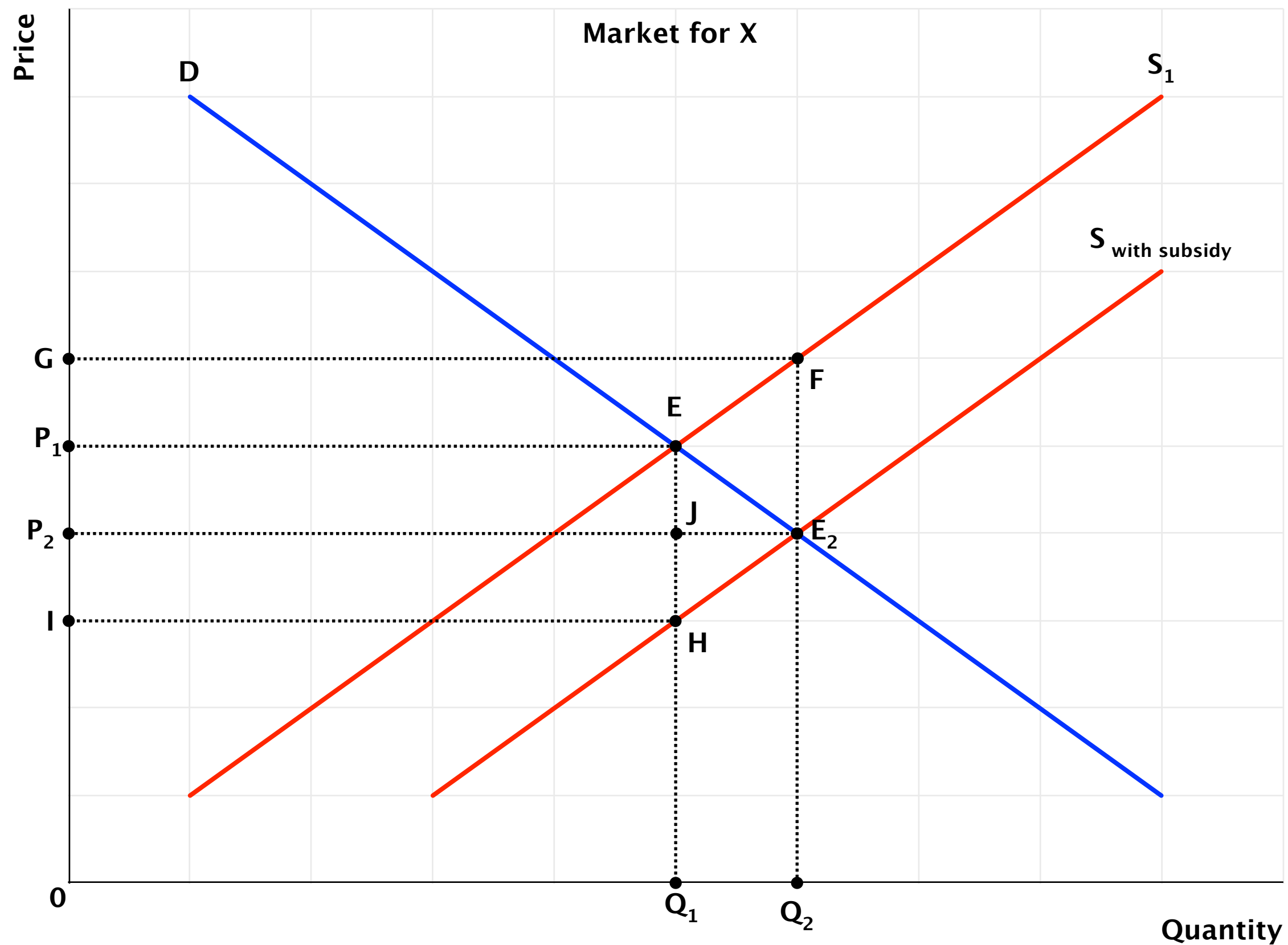
The market after the
subsidy.



Extra lines and labels to see what happened.

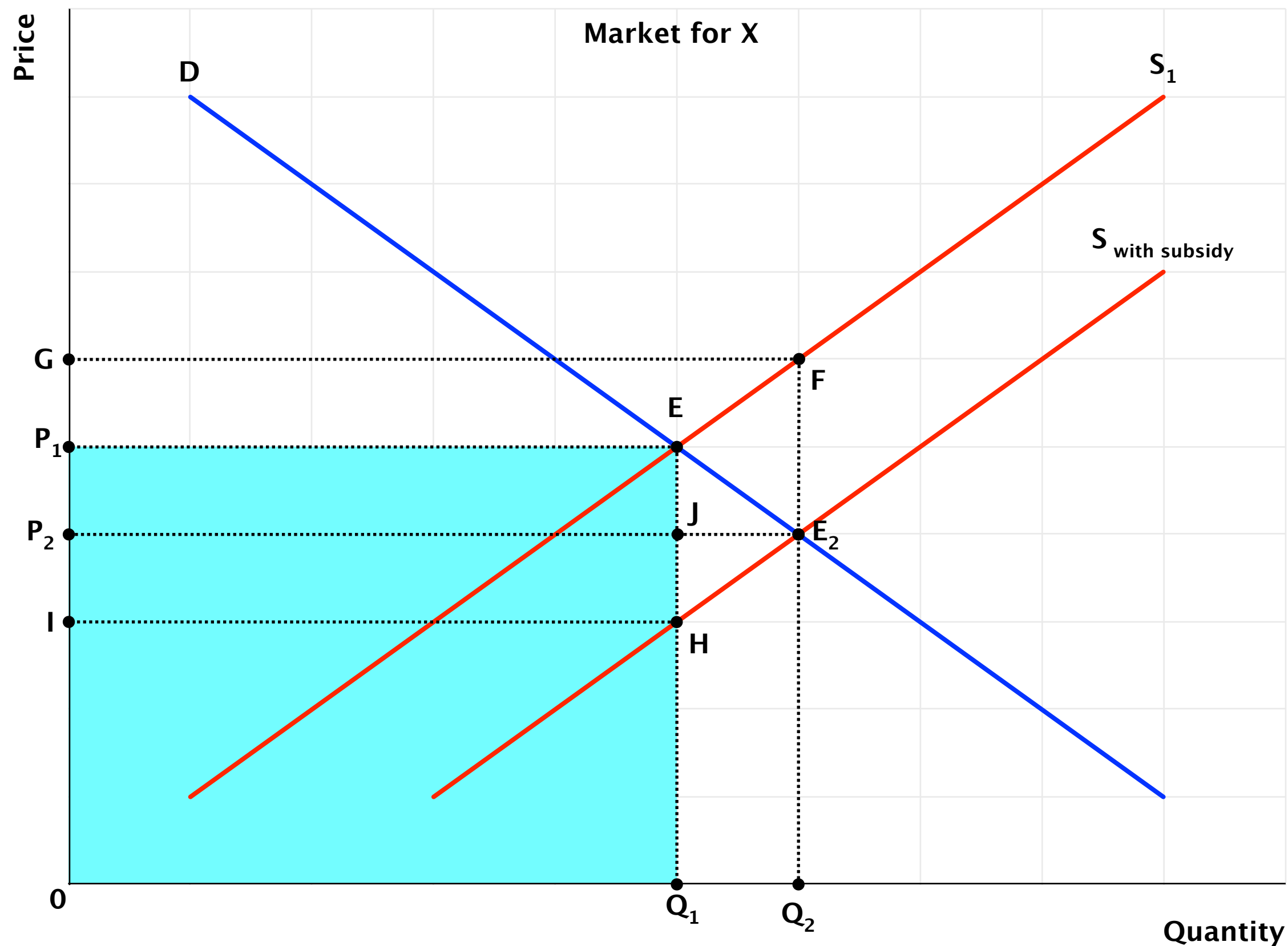


What was total
consumer expenditure
before the subsidy?

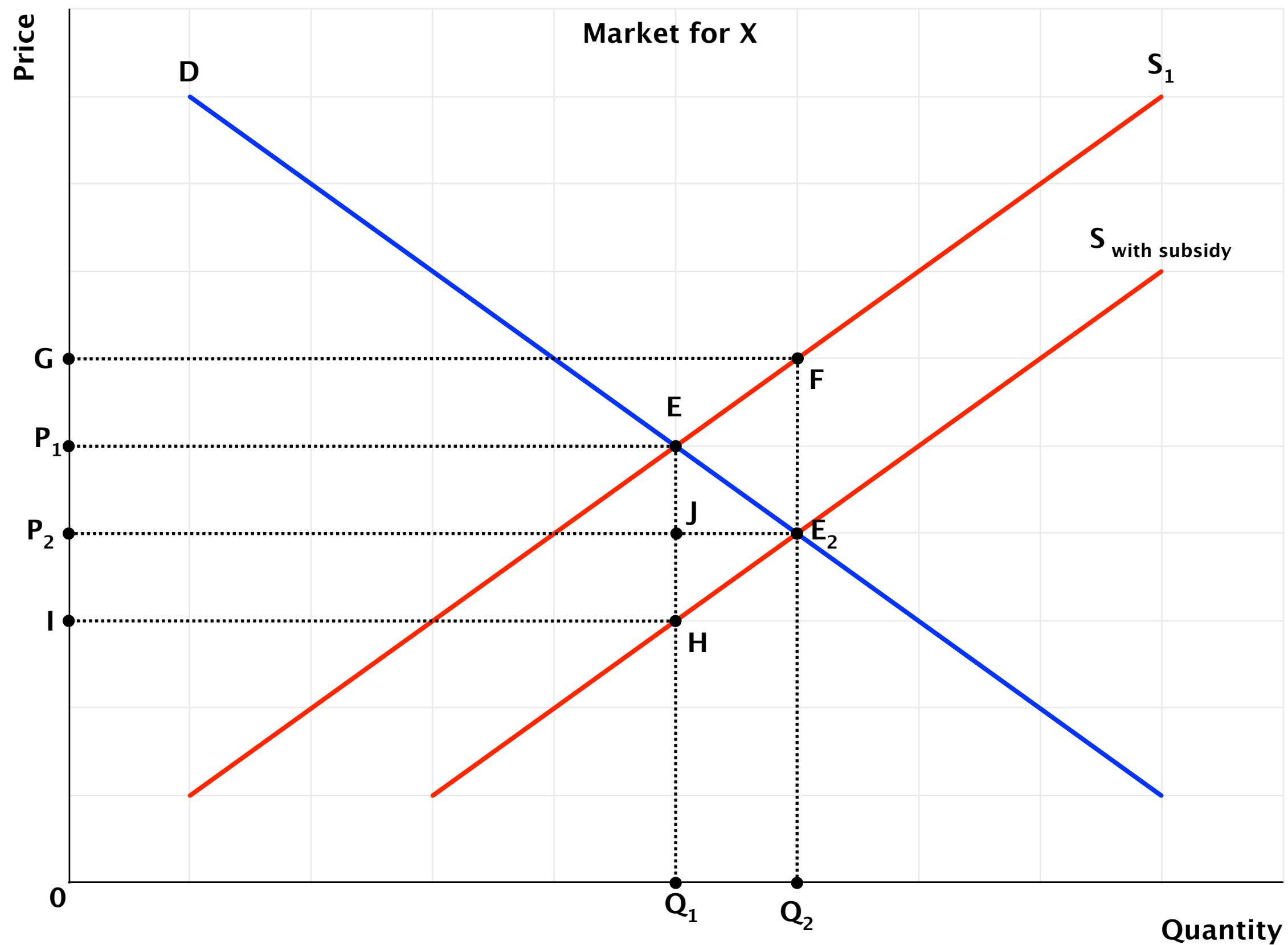


What was total
consumer expenditure
before the subsidy?

$P_1, E, Q_1, 0$

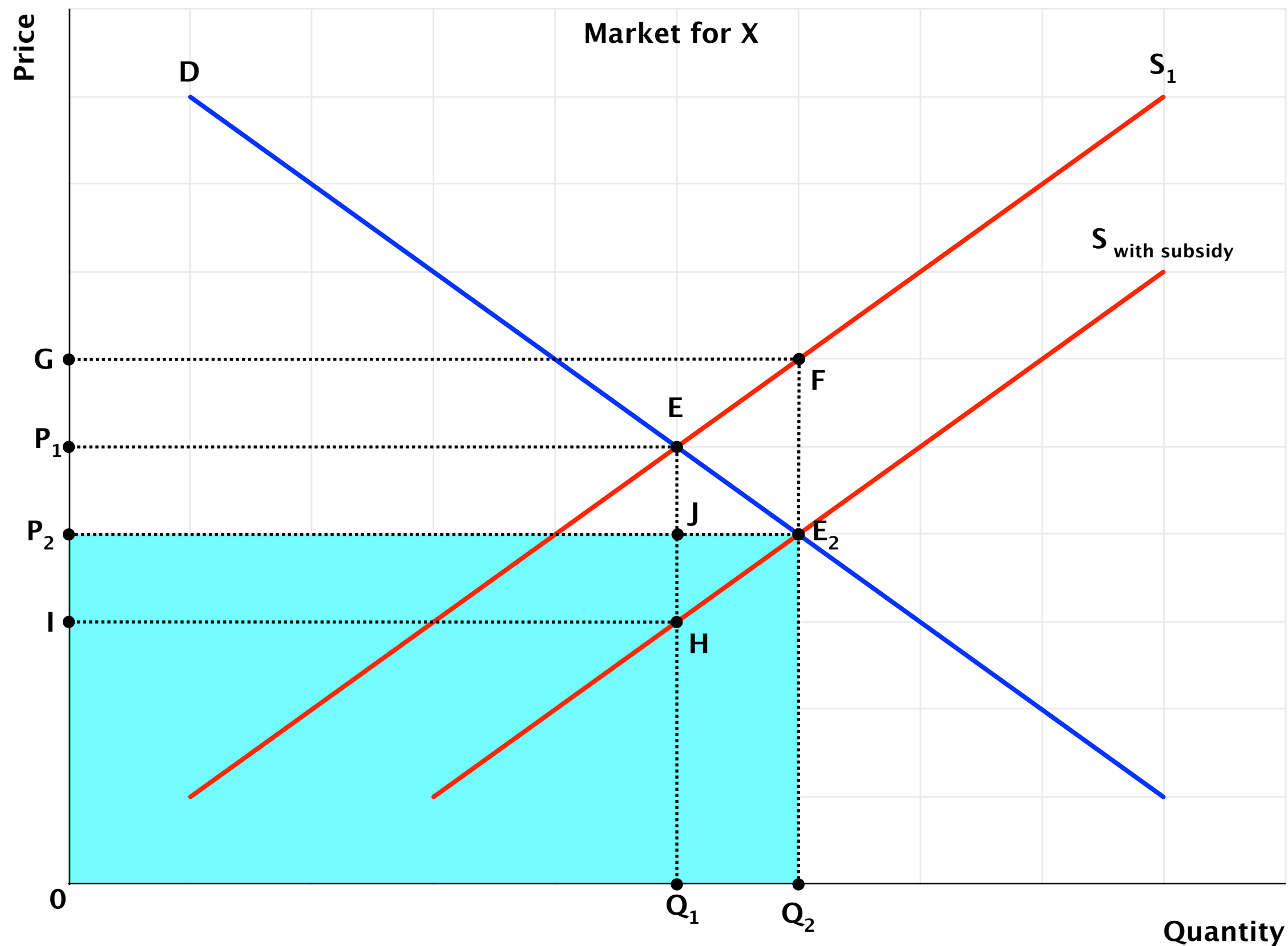


What was total
consumer expenditure
after the subsidy?

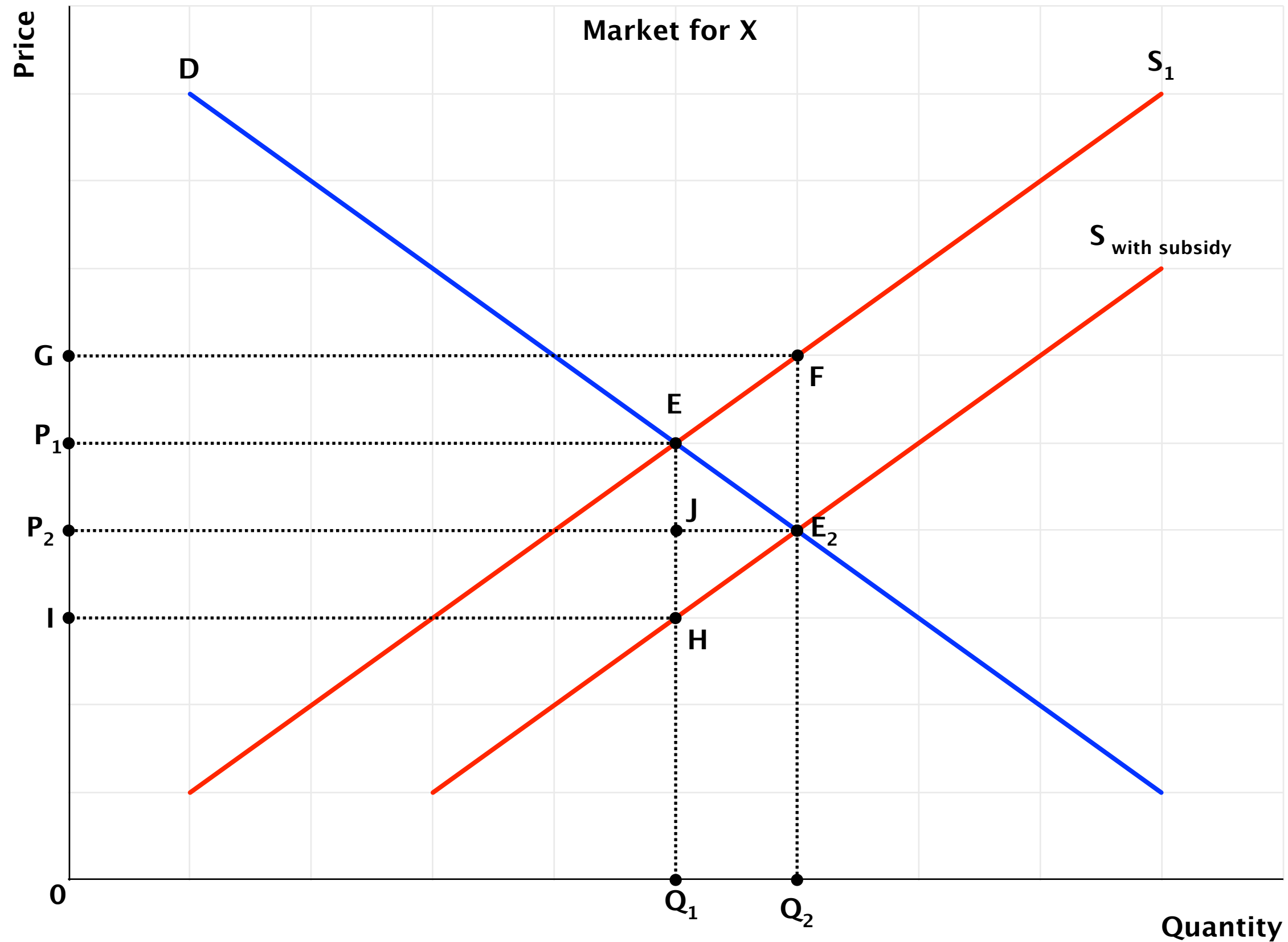


What was total
consumer expenditure
after the subsidy?

$P_2, E_2, Q_2, 0$

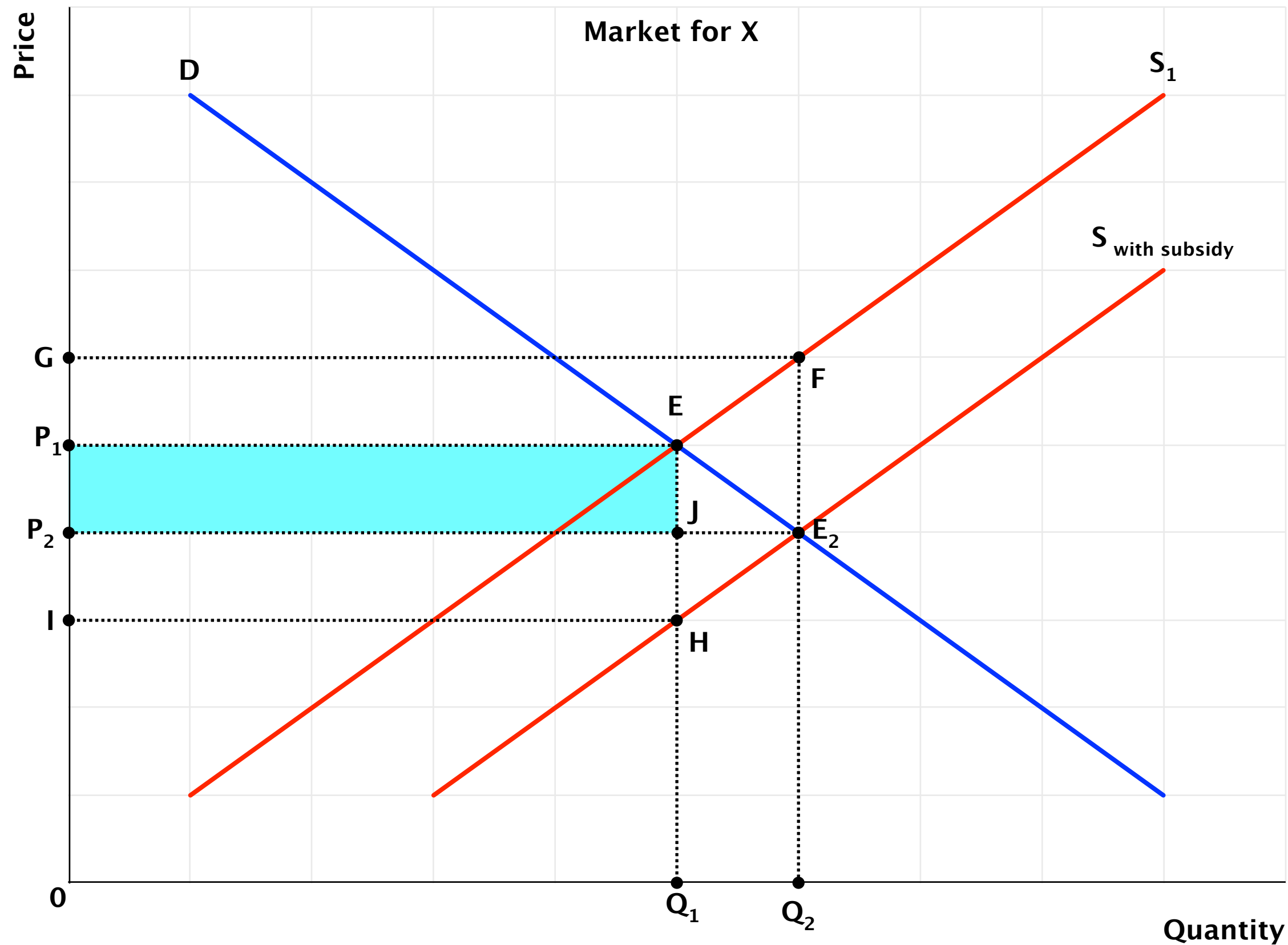


What was the decrease in consumer expenditure after the subsidy?

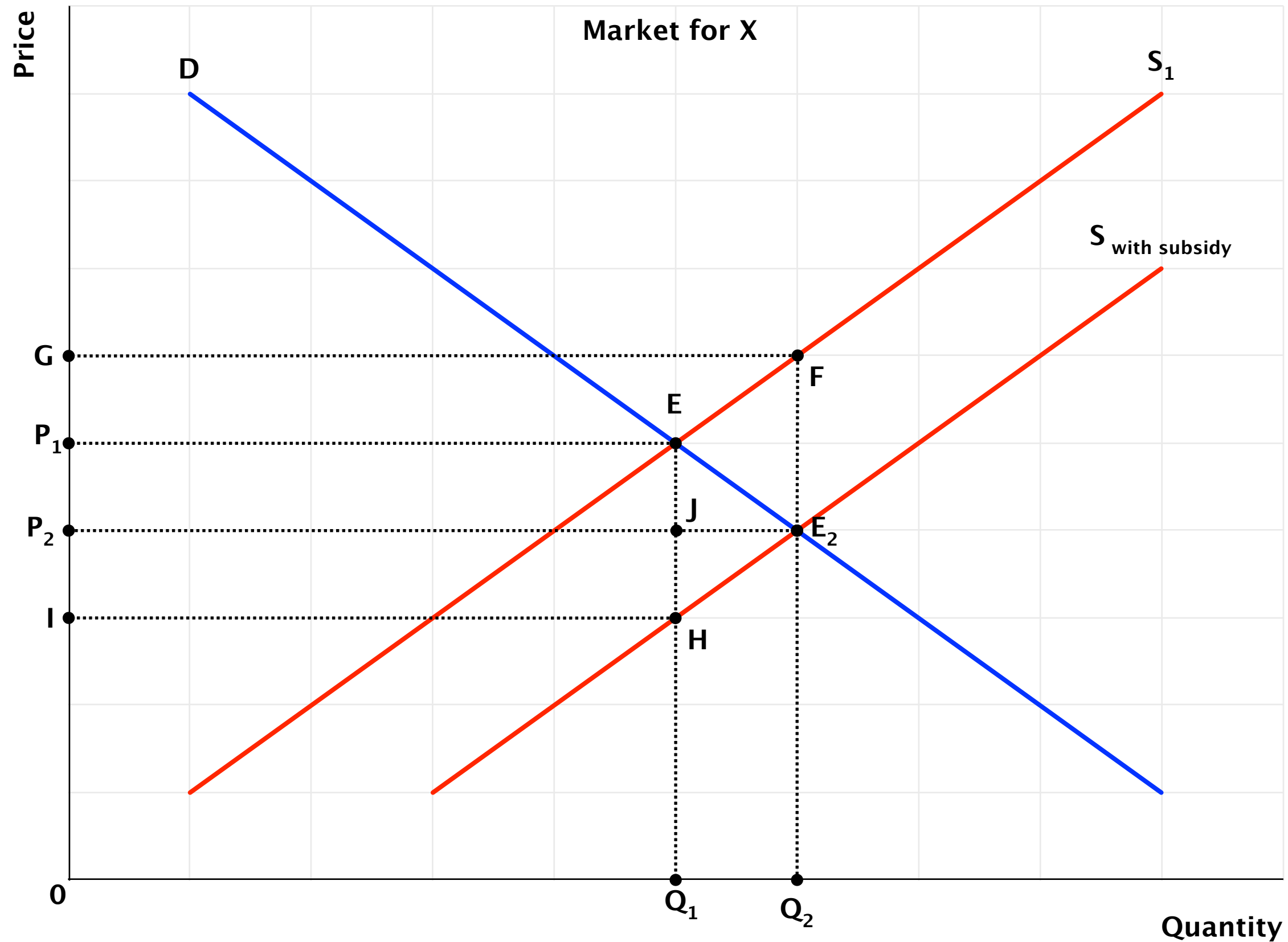


What was the decrease in consumer expenditure after the subsidy?

P_1, E, J, P_2

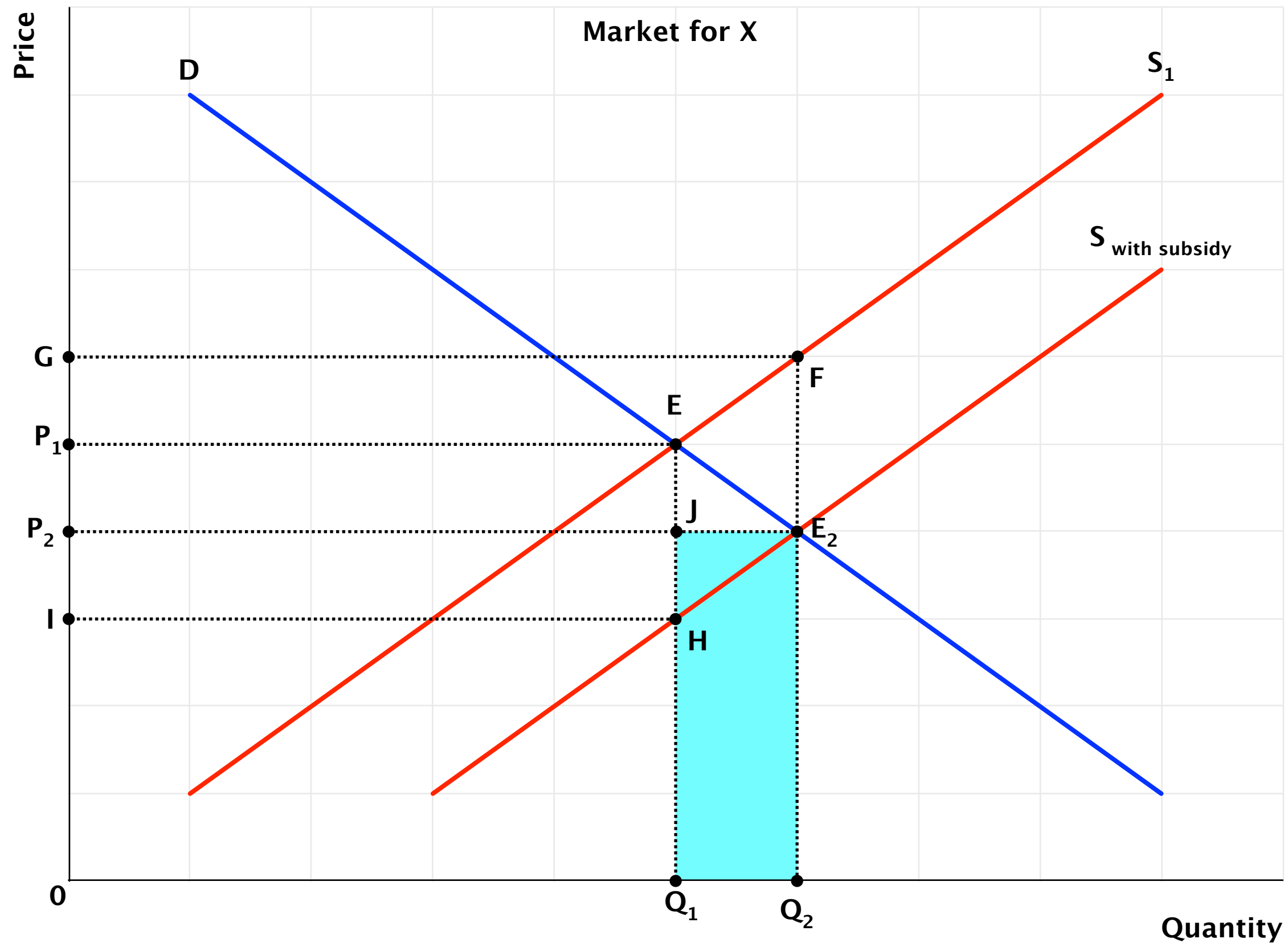


What was the increase in consumer expenditure after the subsidy?

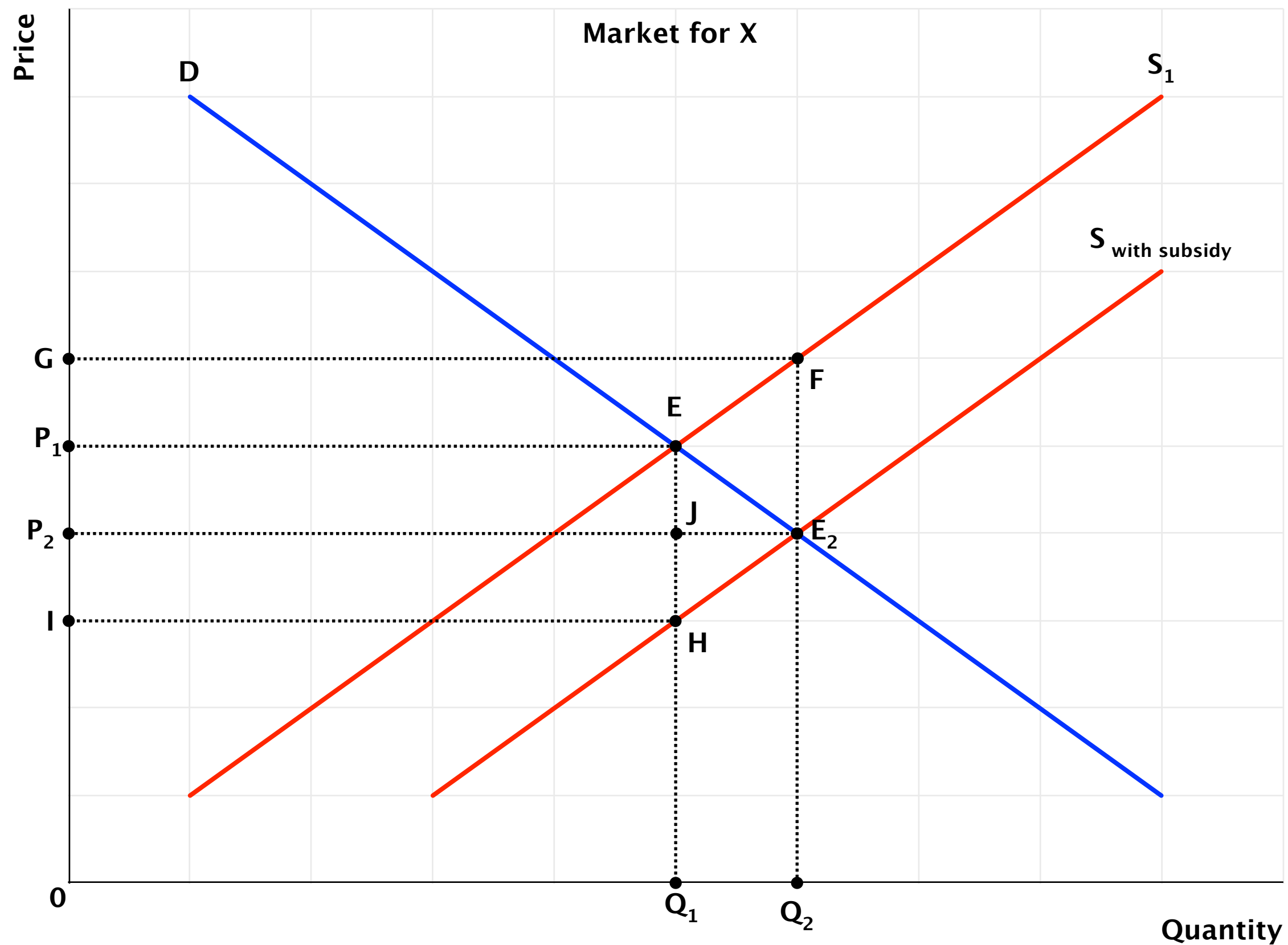


What was the increase
in consumer
expenditure after the
subsidy?

J, E₂, Q₂, Q₁

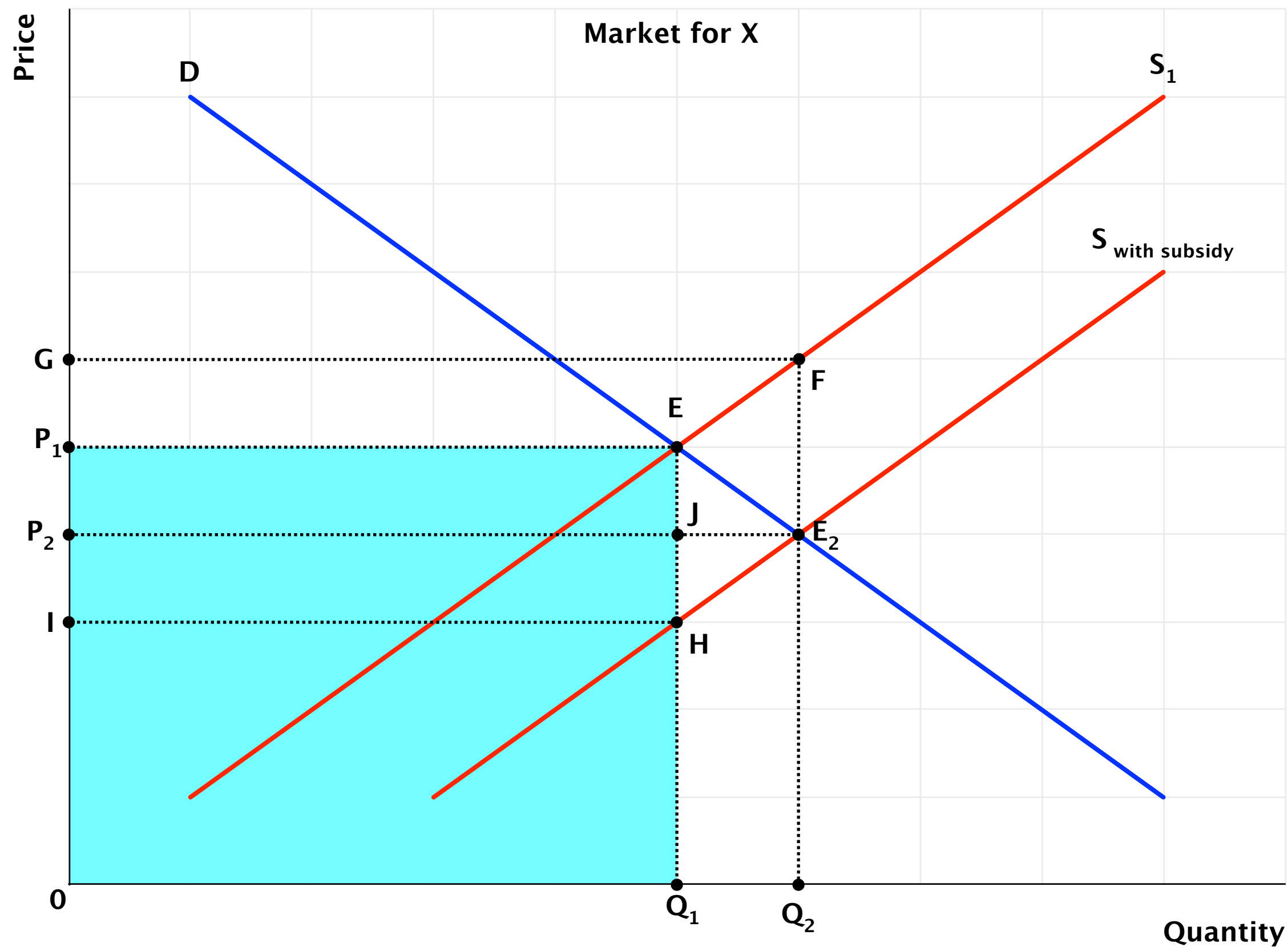


What was total revenue before the subsidy?

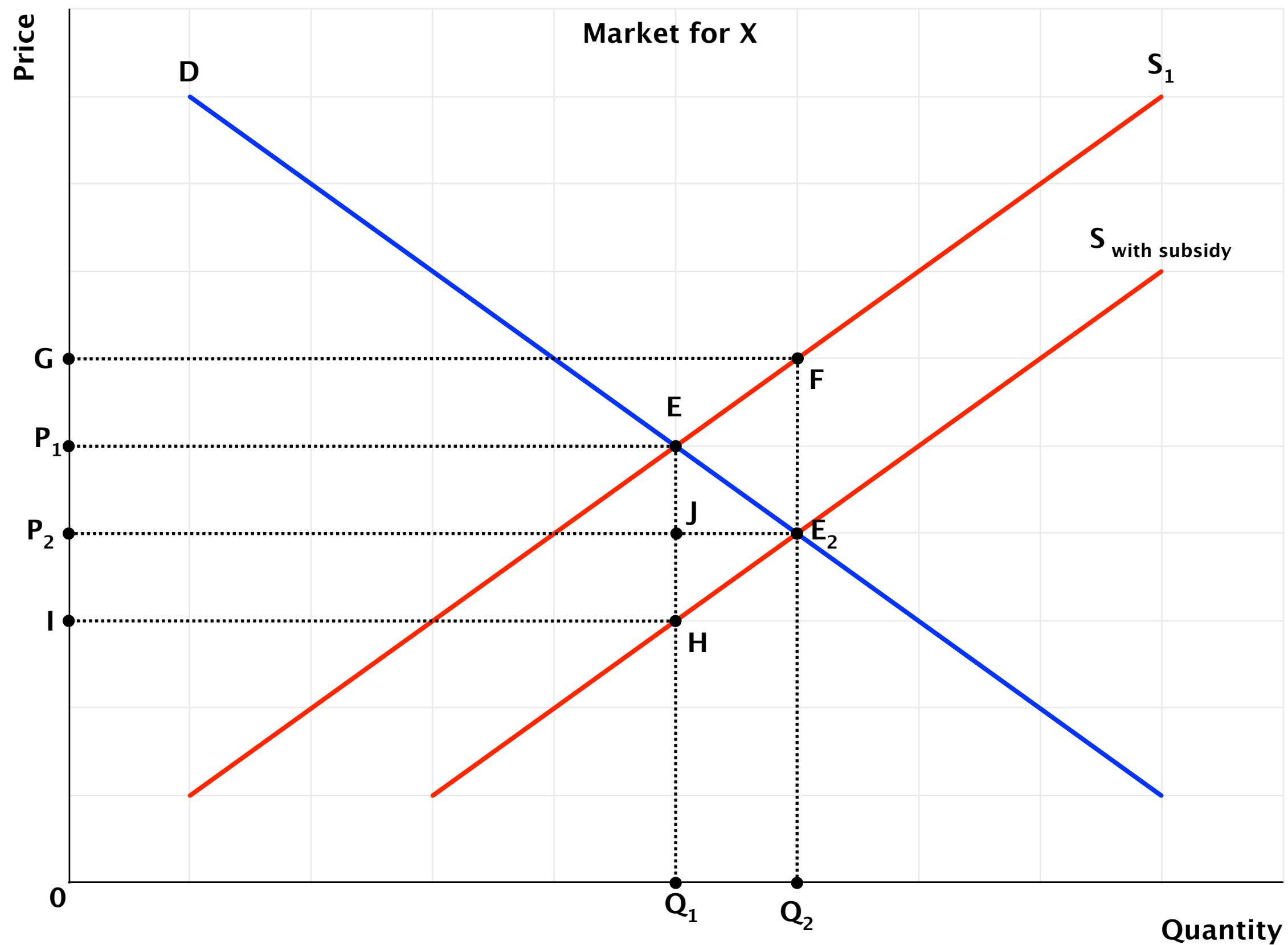


What was total
revenue before the
subsidy?

$P_1, E, Q_1, 0$

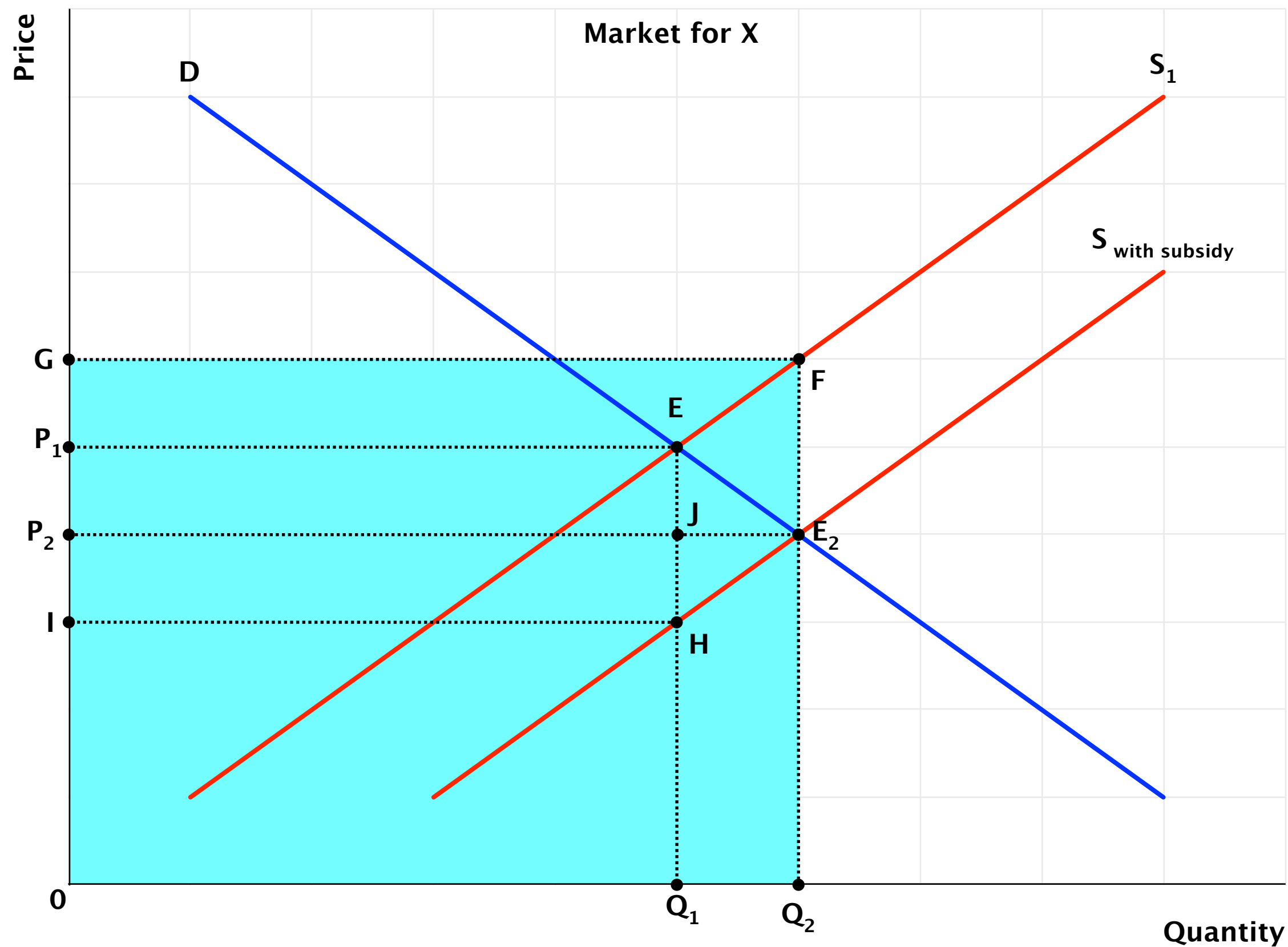


What was total revenue after the subsidy?

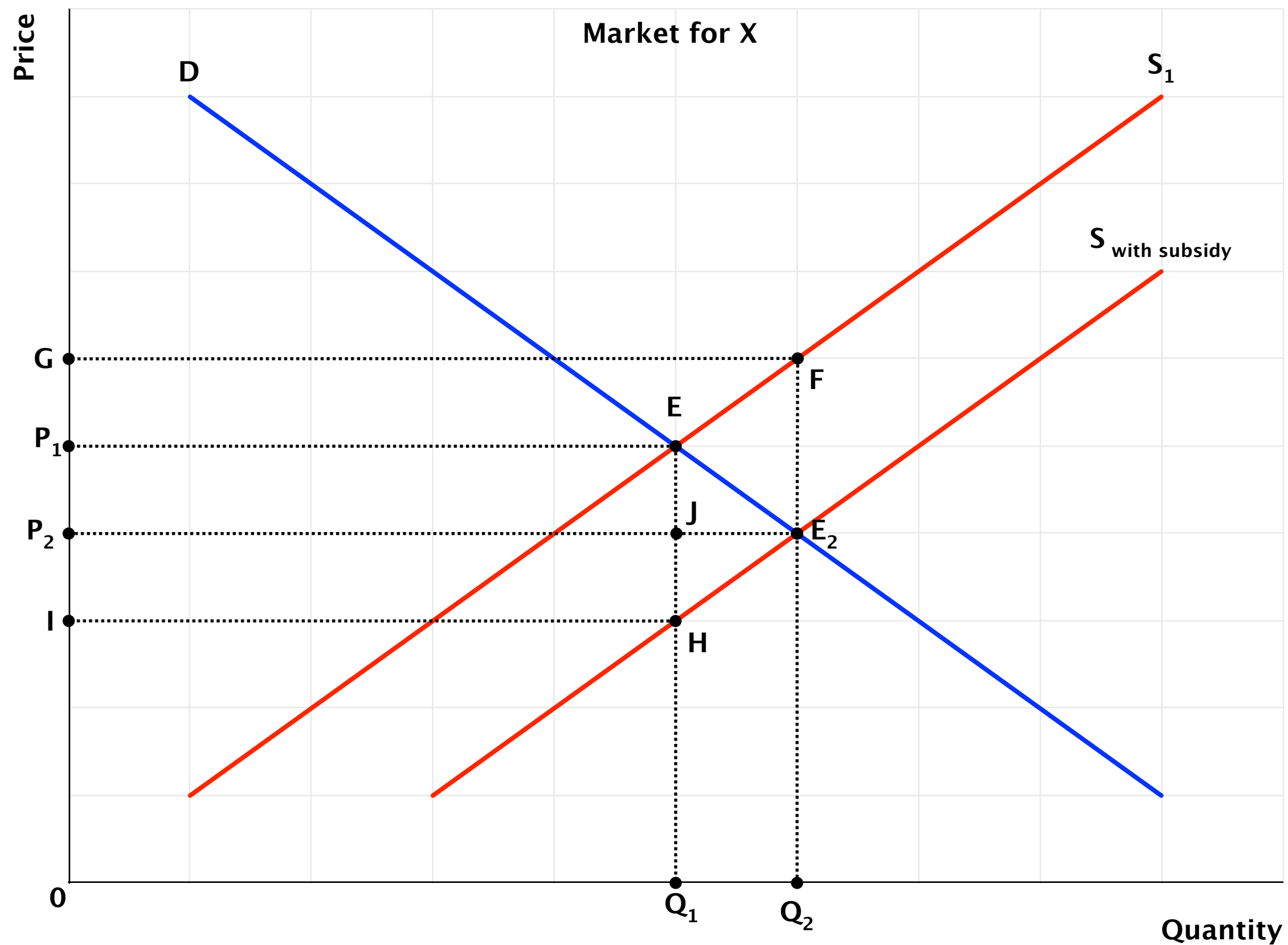


What was total
revenue after the
subsidy?

G, F, Q_2 , 0

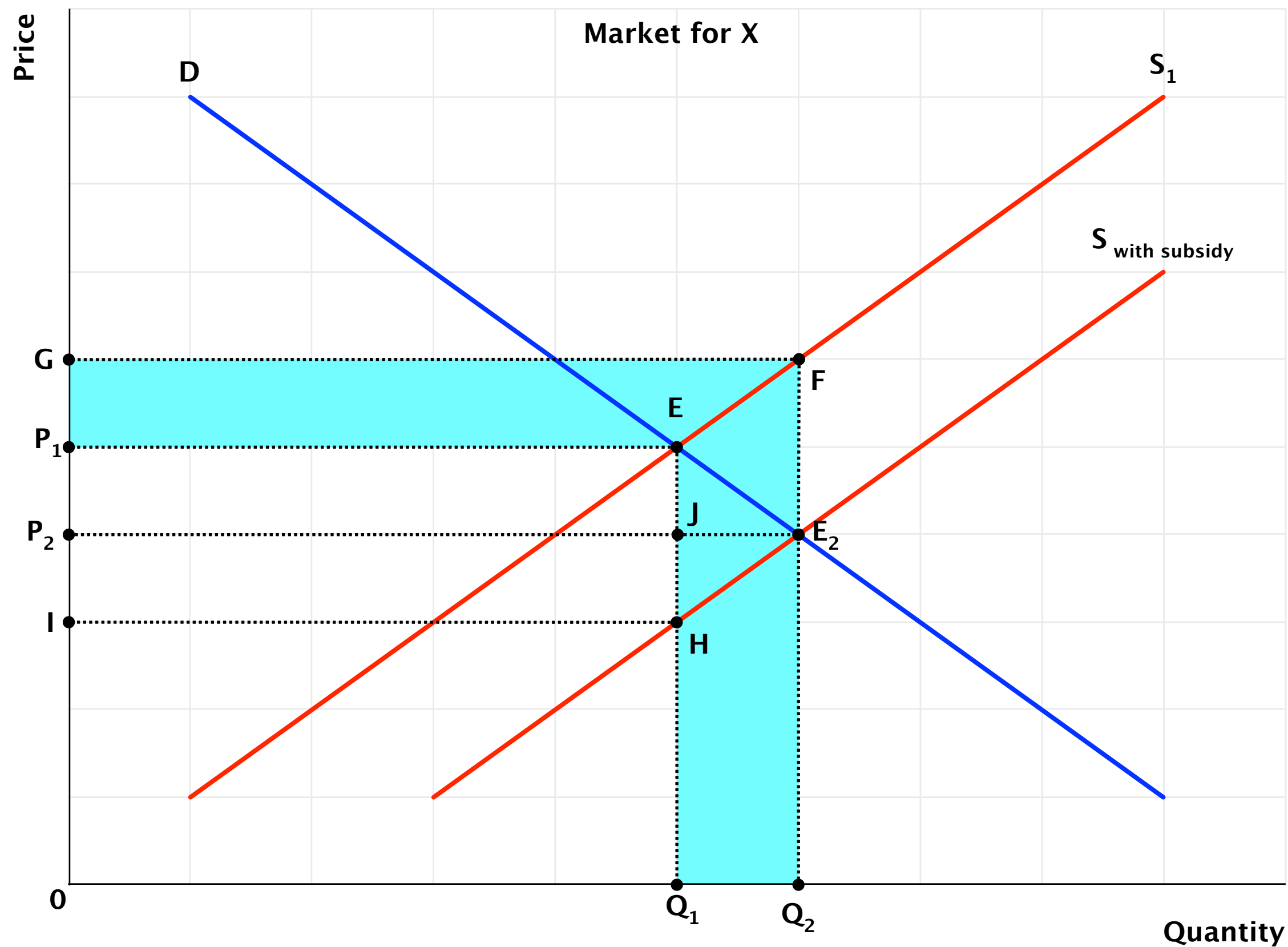


What was the change in total revenue after the subsidy?

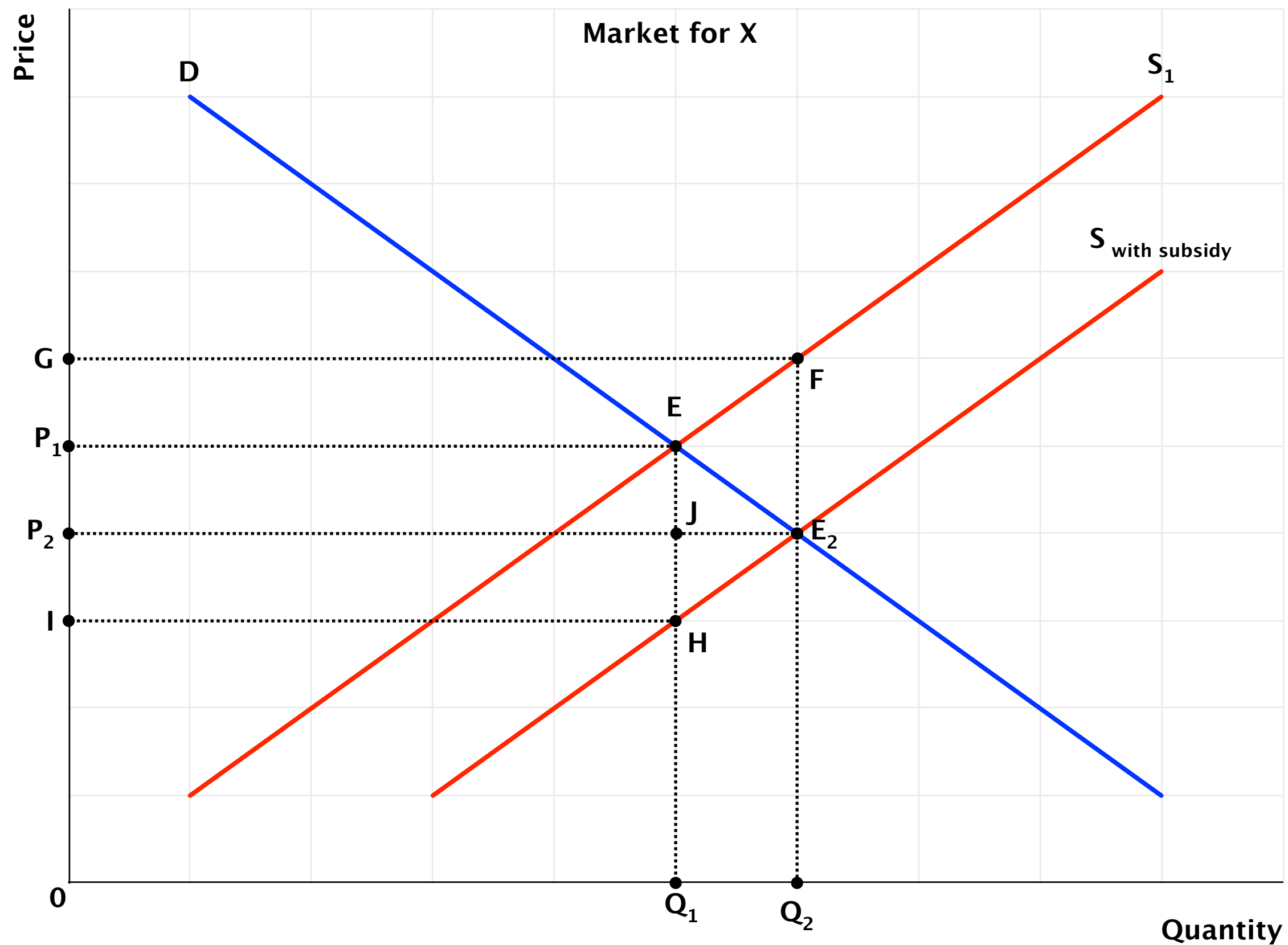


What was the change
in total revenue after
the subsidy?

G, F, Q_2 , Q_1 , E, P_1



What was total subsidy paid by the government?



What was total subsidy
paid by the
government?

G, F, E₂, P₂

